

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-07 IO-13 ISO-00 FEA-01 AGR-05 CEA-01

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L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

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TO SECSTATE WASHDC 1648

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GATT

E.O. 11652: N/A

TAGS: ETRD, GATT, MRN, NZ

SUBJ: NEW ZEALAND REACTION TO US TRAFF CUTTING FORMULA

REF: (A) MTN GENEVA 2317, (B) STATE 106864

1. THE ASSISTANT SECRETARY FOR TRADE POLICY OF THE NZ DEPARTMENT OF TRADE AND INDUSTRY HAS SENT A LETTER TO THE EMBASSY RESPONDING TO REQUESTS OF THE E/C COUNSELOR FOR N " REACTION TO THE U.S. TARIFF CUTTING FORMULA.

2. THERE FOLLOW THE MAIN POINTS CONTAINED IN A DETAILED PAPER TRANSMITTED WITH THE LETTER. (THE LETTER AND ITS ENCLOSURE ARE BEING TRANSMITTED TO ADDRESSEE POSTS VIA AIRGRAM):

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THE GOVERNMENT OF NEW ZEALAND DOES NOT SEE THE U.S.

FORMULA AS APPROPRIATE FOR NEW ZEALAND BECAUSE IT WOULD HAVE SERIOUS ADVERSE EFFECTS ON THE MIDDLE RANGE OF NEW ZEALAND MANUFACTURED GOODS. IT WOULD NOT TAKE ANY ACCOUNT OF NEW ZEALAND'S PROBLEMS OF SCALE AND RESOURCING IN THE DEVELOPMENT OF ITS INDUSTRIES. ANY TARIFF CUTTING APPROACH WHICH IS PITCHED PRIMARILY TO THE RELATIVELY LOW-TARIFF STRUCTURED INDUSTRIALIZED COUNTRIES IS UNLIKELY TO BE APPROPRIATE FOR THE RELATIVELY HIGHER TARIFF STRUCTURED AGRICULTURAL EXPORTING COUNTRIES SUCH AS NEW ZEALAND. THE U.S. FORMULA DOES NOT PROVIDE FOR DIFFERENCES IN ECONOMIC OR TARIFF STRUCTURE BETWEEN PARTICIPANTS. IT WOULD ASK FOR SUBSTANTIAL, INDEED SEVERE, CUTS IN THE TARIFFS NZ NOW APPLIES TO SEMI-FINISHED AND FINISHED PRODUCTS.

AS HAS BEEN STATED IN TNC MEETINGS, NEW ZEALAND'S EFFORTS CONTINUE TO BE DIRECTED TOWARD THE WIDEST POSSIBLE TARIFF CUTTING OFFER AND IN A WAY WHICH WOULD BE APPROPRIATELY COMPATIBLE WITH WHATEVER ACROSS THE BOARD APPROACH IS ADOPTED BY THE MAJOR PARTICIPANTS.

A DIVERGENCE OF THE TARIFF-CUTTING APPROACH THAT MIGHT MEET NZ'S REQUIREMENTS COULD BE, USING THE EEC'S FORMULA, $Y \text{ QUALS } X - 10$. AN ADAPTATION OF THE U.S. FORMULA COULD ALSO BE DEvised.

IT IS IMPOSSIBLE NOW TO DETERMINE PRECISELY NZ'S CONTRIBUTION WITHOUT KNOWING THE EXTENT OF THE TARIFF SUBJECT TO A TARIFF CUTTING FORMULA BY THE MAJOR INDUSTRIALIZED COUNTRIES AND WITHOUT KNOWING THE TREATMENT TO BE ACCORDED NTB'S.

WITH TWO EXCEPTIONS THE MAJOR TRADE OBSTACLES FACED BY NZ'S EXPORTS ARE NOT TARIFFS BUT QUANTITATIVE RESTRICTIONS. NZ WOULD FEEL AN OBLIGATION TO PARTICIPATE IN TARIFF CUTTING IN MTN ONLY IF OTHER PARTICIPANTS WERE PREPARED TO MAKE EQUIVALENT EFFORTS TOWARD LIBERALIZATION OF QUANTITATIVE RESTRICTIONS LIMITED OFFICIAL USE

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AND OTHER NTB'S OF CONCERN TO NZ (E.G. VARIABLE LEVIES). IF EEC AND JAPANESE INSISTED THAT AGRICULTURAL TARIFFS SHOULD BE EXCEPTED FROM THE TARIFF CUTTING EXERCISE, NZ WOULD ONLY AGREE ON CERTAIN CONDITIONS, I.E. RECOGNITION THAT, WHILE AGRICULTURAL TARIFFS ARE LARGELY IRRELEVANT, WHERE THERE ARE QUANTITATIVE RESTRICTIONS AND VARIABLE LEVIES, FULL EQUIVALENCE OF TREATMENT BETWEEN INDUSTRIAL AND AGRICULTURAL PRODUCTS

WOULD HAVE TO BE FULLY PROVIDED FOR.

NEVERTHELESS NZ'S AIM REMAINS TO ENCOURAGE
A REVERSION TO THE TARIFF AS THE SOLE PROTECTIVE
MECHANISM. IT HAS SUPPORTED EFFORTS IN THE MTN TO
HAVE THIS PRINCIPLE ACCEPTED FOR AGRICULTURE.

ALSO, IF THE MAJOR INDUSTRIALIZED COUNTRIES ACCORD
EXCEPTION TO SUCH SENSITIVE SECTORS AS METALS,
CHEMICALS, TEXTILES, ELECTRONICS AND MOTOR VEHICLES,
FROM WHATEVER GENERAL TARIFF CUTTING APPROACHES, NZ
WOULD FEEL FREE TO EXCEPT THE SAME SECTORS, OR
SECTORS OF EQUIVALENT SENSITIVITY TO IT.

NZ HAS URGED IN THE TARIFFS GROUP DIRECTING ATTENTION
TO PROCEDURES FOR DETERMINING EXCEPTIONS, EXEMPTIONS
AND EXCLUSIONS. ONCE THESE ARE KNOWN, NZ MIGHT WELL
PARTICIPATE ON THE BASIS OF A FORMULA SUCH AS THAT
OF THE U.S., FOR WHAT IS LEFT.
SELDEN

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